

March 19, 2002

Statement by

**Senator Richard Alarcón
Chair, Senate Committee on Labor and Industrial Relations**

Before the

***Little Hoover Commission
Public Hearing on the Governor's Reorganization Plan No. 1 of 2002
Tuesday, March 19, 2002
Employment Development Department Auditorium
722 Capitol Mall, Sacramento, California***

Chairman Alpert and Members of the Commission:

Last year I authored Senate Bill 25 which would have established the first-ever Labor Agency. The genesis of Reorganization Plan No. 1 is that bill. After a discussion with the Governor, I promised him that I would carry the necessary legislation to implement it.

For the last 20 years, the Director of Industrial Relations has been the de-facto Secretary of Labor. As a cabinet member, and key advisor to the Governor on a broad number of labor issues, many of which have been outside the jurisdiction of the DIR, the Director has been the point person.

Reorganization Plan No. 1 is the right step in the right direction. Coordination of services, policy development, enforcement, and administrative responsibilities of major labor entities makes great sense.

It's good for labor, business, community organizations, and taxpayers.

We are a state of 18 million workers, 1 million employers, and a state government that enforces over 450 labor laws by numerous agencies, some without any knowledge of what the other agencies are doing.

A few examples:

Workforce Development

We now have 34 important job training programs implemented by 13 state agencies.

By coordinating DIR, the WIA Board, and Employment Development Department, we are going a long way for over-needed coordination.

The proposed Labor and Workforce Development Agency allows the Secretary of Labor to have a broad overview, and the ability to cooperate with our state's educational institutions to come up with strong performance-based accountability systems.

Income Security Issues

We have a few safety nets for workers: workers' compensation insurance for on-the-job injuries, and disability insurance for non-industrial accidents and pregnancy, and unemployment insurance when a worker is laid-off.

DIR and EDD are the administrative agencies. There ought to be coordination of the policy impact on employers and workers when these income security benefits are increased or amended.

Labor Law Enforcement

3 key state agencies now engage in protecting workers rights on the job.

Among other things, DIR enforces wage and hour protections, while EDD ensures the proper payment of mandated benefits. When there is an on-site inspection of records, there ought to be a referral by the agent to other state agencies where violations are noted. It is insufficient to just have inter-agency agreements. We need policy and enforcement coordination.

Even Members of the Agricultural Labor Relations Board have encountered farm workers in their educational programs who know little or nothing about their rights on the job, or of DIR or EDD efforts to enforce them.

Curbing the Underground Economy

Over \$60 billion per year in goods and services are produced each year in California by operators in the Underground Economy.

These underground "employers" pay little or no payroll taxes, cheat on wages, don't have workers' compensation insurance coverage for their workers, and fail to pay unemployment insurance taxes.

That's bad for workers and bad for law-abiding competitors.

Victims of the Underground economy come in many forms, especially newly-arrived immigrants trying to earn a living. I would strongly recommend to the Administration the establishment of a special assistant to the proposed Secretary for immigrant worker issues. Coordination of policy and enforcement for low wage workers could mean some dignity, and, something to eat.

Of the top 10 most populous states, only California and Illinois lack some coordinated efforts. It's time to leave Illinois on its own.

Lastly, the idea of a Labor Agency has been around for many years. Even though legislative activity has been limited to the last decade, Donald Vial has been a great champion of the effort since his days in the cabinet of Governor Jerry Brown. I want to publicly honor him for that effort.

Reorganization Plan No. 1 is good for the working men and women of the state. Good for labor and business. Good for our future.

I ask for the Little Hoover Commission to give Plan No. 1 a strong affirmative recommendation.